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Tarrant County Texas

Official Public Records

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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

STATE OF TEXAS	§	
	§	KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF TARRANT	§	

10578728

NON-SURFACE USE OIL AND GAS LEASEElectronically Recorded
Chesapeake Operating, Inc.

THIS OIL AND GAS LEASE ("Lease") is made and effective this 10th day of November, 2010 (the "Effective Date"), by and between **FIRST BAPTIST CHURCH EULESS**, whose address is 1000 West Airport Freeway, Euless, Tarrant County, Texas 76039 (hereinafter "Lessor"), and **CHESAPEAKE EXPLORATION, LLC** whose address is P.O. Box 18496, Oklahoma City, OK 73154-0496 (hereinafter "Lessee").

1. **GRANTING CLAUSE.** Lessor, in consideration of lease bonus in hand paid, and other good and valuable consideration in hand paid by Lessee, the receipt of which is hereby acknowledged, and in consideration of the royalties herein provided, and the covenants, agreements and obligations of Lessee herein contained, and upon and subject to the conditions and with the limitations hereinafter set forth, hereby leases and lets exclusively unto the said Lessee, for the purpose of investigating, exploring, prospecting, drilling and producing only oil and gas and substances, if any, produced in association with oil or gas, and to produce, save, take care of, treat, store, and transport oil and gas and such related substances, all those certain lands situated in Tarrant County, Texas, described as follows, to wit:

Tract 1: 2.568 acres of land, more or less, being Lot 1, Block A, Glade Crossing Baptist Church Addition, an addition to the City of Euless, Tarrant County, Texas, according to that certain Plat recorded in Volume 388-201, Page 38, Plat Records, Tarrant County, Texas.

Tract 2: 0.173 acres of land, more or less, being Lot 6, Block 2, Shadow Glen Addition, an addition to the City of Grapevine, Tarrant County, Texas, according to that certain Plat recorded in Volume 388-190, Page 48, Plat Records, Tarrant County, Texas.

SAID LANDS ARE HEREBY DEEMED TO CONTAIN 2.741 ACRES, MORE OR LESS.

(the "Leased Premises"). **In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises.** This Lease does not grant to Lessee any right to explore for or produce any mineral or other substance except for oil and gas and substances, if any, produced in association with oil or gas. For the purpose of calculating certain of the payments hereinafter provided for, the land included within the terms of this Lease is estimated to comprise 2.741 acres, and the Leased Premises shall be deemed to contain that amount of acreage, whether it actually comprises more or less.

2. **PRIMARY TERM.** This Lease shall remain in force and effect for a term of two (2) years from the Effective Date set out above (hereinafter called "Primary Term") and as long thereafter as there is production in paying quantities from the Leased Premises or lands pooled therewith. Upon the expiration of the Primary Term, this Lease not being otherwise perpetuated beyond the Primary Term under any provision hereof, Lessee shall have the option to renew this Lease for a term of two (2) years from the expiration date of the Primary Term (the "Option") by paying or tendering to Lessor prior to the end of the Primary Term the same bonus consideration, terms and conditions as set forth in this Lease. In the event Lessee wishes to exercise the Option, Lessee shall notify Lessor of its intention to do so no later than 30 days prior to the expiration of the Primary Term.

If at the end of the Primary Term, or the cessation of production in paying quantities at any time thereafter, Lessee is engaged in actual drilling, reworking or any other operations reasonably calculated to obtain or restore production from the Leased Premises or lands pooled therewith, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than ninety (90) consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long

thereafter as there is production in paying quantities from the Leased Premises or lands pooled therewith.

3. **ROYALTY.** As royalty, Lessee covenants and agrees to pay to Lessor:

(a) On oil, 25% of that produced and saved from said land, the same to be delivered at the wells or to the Lessor's credit into the pipelines to which the wells may be connected, less a proportionate part of ad valorem taxes and production, severance or other taxes. Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then the nearest field in which there is such a prevailing price) for production of similar grade and gravity. Lessee may sell any royalty oil in its possession and pay Lessor the price received by Lessee for such oil computed at the well; less a proportionate part of ad valorem taxes and production, severance or other taxes.

(b) For gas (including casinghead gas) and all other substances covered hereby (i) if used off the leased premises or used in the manufacture of gasoline or other products, the market value at the well of 25% of the gas so used, or (ii) if sold on or off the Leased Premises, 25% of the amount realized from such sale, less a proportionate part of ad valorem taxes and production, severance or other taxes, provided the amount realized from the sale of gas on or off the Leased Premises shall be the price established by the Gas Sales Contract entered into in good faith by Lessee and gas purchaser, provided that on gas sold by Lessee the market value shall not exceed the amount received by Lessee for such gas computed at the mouth of the well.

(c) If, after the expiration of the Primary Term or at any time or times thereafter, there is any well on the Leased Premises, or on any land pooled therewith, capable of producing gas in paying quantities but gas is not being marketed therefrom and this lease is not then being maintained by other production or operations, then this lease shall terminate unless on or before ninety (90) days following the expiration of the Primary Term, Lessee tenders or pays as royalty hereunder the sum Twenty-Five Dollars (\$25.00) per acre for each acre of the Leased Premises covered by this Lease, which payment shall maintain this Lease in full force and effect, as to that portion of the Leased Premises contributed to such pooled unit, for a period of one (1) year from the date such well is shut-in, and it will be considered that gas is being produced hereunder in paying quantities. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time; however, this lease may be maintained by such shut-in payments only if Lessee is exercising reasonable diligence in attempting to market and sell gas producible hereunder. For the purpose of this agreement, the term "Shut-in" shall apply to any well that has been drilled, is capable of producing gas in commercial quantities but is not producing for reasons beyond the control of Lessee, including wells that have been drilled, but have not been completed either (i) for reasons beyond the control of the Lessee, or (ii) because the well could not be produced even if completed for reasons beyond the control of the Lessee, and it would be imprudent to complete the well under the circumstances. Notwithstanding anything herein to the contrary, this lease shall not be maintained by shut-in royalty payments for a period longer than two (2) consecutive years or four (4) years in the aggregate.

(d) Lessor shall have a continuing right and option, but not the obligation, to be exercised by Lessor as set forth herein, to take its royalty interest share of production in kind at Lessor's sole risk and expense, provided, Lessor must give Lessee thirty (30) days advance written notice of Lessor's intent to take its royalty interest share of production in kind, and Lessor's election shall be for monthly periods of at least three (3) consecutive months. The following provisions shall also apply with respect to Lessor's taking its royalty interest share of production in kind:

(e) Lessor shall have the right to audit the accounts and records of Lessee, its successors and assigns, relating to the Leased Premises and to its operations under this lease on an annual basis. Such right shall be exercised by Lessor by giving Lessee not less than ten (10) business days prior notice and such audit shall be conducted only during normal business hours. If the audit reveals an underpayment of more than \$5,000, Lessee shall be responsible for the costs of the audit.

(f) Initial royalty payments shall be due within one hundred twenty (120) days after the end of the month in which first sales were made. All subsequent royalty payments shall be due within sixty (60) days after the end of the month in which the production occurred.

4. **PARTIAL TERMINATION.** Notwithstanding anything in this lease to the contrary, upon the completion of any well drilled on lands pooled with the Leased Premises (unless such well is completed within the Primary Term, and then, upon the end of the Primary Term), this lease shall automatically terminate as to all depths one hundred (100) feet below the stratigraphic equivalent of the base of the deepest producing formation from such well.

5. **POOLING.** Lessee shall have the right to pool the Leased Premises with any other adjoining land, lease, or leases, as to any or all minerals or horizons, so as to establish a unit containing not more than forty (40) mineral acres plus a 10% acreage tolerance for a vertical well, and for a horizontal well, not more than five-hundred and fifty (550) mineral acres plus a 10% acreage tolerance, or any other amount that may be allowed or permitted by current Texas Railroad Commission "Field Rules". If larger units than any of those herein permitted are required under any governmental rule or order for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded and providing a copy thereof to Lessor. There shall be allocated to the land covered by this Lease within each such unit that proportion of the total production of unitized minerals from the unit, which the number of mineral acres covered by this Lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this Lease. The formation of any unit hereunder which includes land not covered by this Lease shall not have the effect of exchanging or transferring any interest under this Lease (including without limitation, any delay rental and shut-in royalty which may become payable under this Lease) between parties owning interests in land covered by this Lease and parties owning interests in land not covered by this Lease.

6. **EXPIRATION OF LEASE.** Upon written request by Lessor, at the termination of this Lease, as to any part of the leased premises, Lessee, his heirs or assigns, at Lessee's sole expense, shall prepare and publicly record a release, and shall provide one (1) copy of release to Lessor.

7. **ASSIGNMENT.** Lessee shall not assign, cede, sublease, or otherwise transfer this lease, in whole or in part, nor any interest therein, in whole or in part, nor enter into any other agreement whereby any party other than Lessee acquires any interest in the leased premises without the written consent of Lessor being first obtained which shall not be unreasonably withheld; however, any assignment of this Lease in terms of working interests to partners (including Total E&P USA, Inc.), officers, directors, and subsidiaries of Chesapeake Exploration, L.L.C. may be made without such consent so long as the aggregate working interest in this Lease conveyed by all such assignments does not exceed a fifty-one percent (51%) working interest and only if Lessee remains operator of record.

8. **NO SURFACE USE.** Notwithstanding anything herein to the contrary, **Lessee shall have no right to enter upon, conduct any drilling or other surface operations of any nature, or place any facilities or structures of any kind on, over or across, any portion of the Leased Premises.** Provided however, Lessee shall have the limited right to enter the Leased Premises with a subsurface horizontal or directional wellbore in an effort to explore for and develop oil and gas under the Leased Premises, provided that such operations do not interfere with in any way the surface or subsurface support of any improvements constructed on the Leased Premises or the business activities conducted on the Leased Premises.

9. **INDEMNITY.** Lessee, its successors and assigns agree to release, defend, indemnify, and hold harmless Lessor its respective officers, owners, partners, tenants, guests, invitees, and any of their heirs, successors, agents and employees (collectively, the "Indemnified Parties"), from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to real property, personal property or persons (including, without limitation,

claims involving environmental laws and regulations, pollution, contamination of ground waters, personal injury and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs) (collectively "Claims"), which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's agents, invitees, guests, contractors, oil or gas purchasers, oil or gas transporters, servants and employees, on the Leased Premises, including, without limitation, any Claims arising from loss of subsurface support of the Leased Premises and any Claims arising from the production or transportation of oil or gas produced from the Leased Premises or lands pooled therewith. For purposes of this Paragraph 8 and Paragraph 9 of this Lease, environmental laws and regulations include, without limitation, the federal Oil Pollution Act (OPA), the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act (RCRA), the federal Clean Water Act, the Texas Solid Waste Disposal Act (TSWDA), the Texas Water Code (TWC), and the federal, state and local rules, regulations, ordinances, orders and governmental directives implementing such statutes. The Lessee's obligations in this Paragraph 8 shall survive the termination of this Lease.

10. **ENVIRONMENTAL LIABILITY.** As used in this Lease, the term "Hazardous Materials" means any substance or material defined or identified as hazardous, extra-hazardous, toxic or radioactive or subject to regulation as a solid waste or pollutant under any applicable federal, state, or local statute or regulation including, without limitation, the environmental laws and regulations referenced in paragraph 9 of this Lease. "Remedial Work" is defined as any site investigation or monitoring, any cleanup, containment, remediation, removal, or restoration work performed in response to any federal, state or local government authority or private party action ("action"), or pursuant to any federal, state or local statute, rule, regulation, ordinance, order, governmental directive or other laws ("law"). Lessee agrees, for the benefit of the Lessor and the Surface Owner, (1) to remove from the Leased Premises, if, as and when required by any action or law, any Hazardous Materials placed or released thereon by Lessee (including its drillers and other contractors), (2) to perform Remedial Work where the need therefore arises in connection with Lessee's (including its drillers' and other contractors') operations or activities on the Leased Premises or any adjacent property, and (3) to comply in all respects with all laws governing operations by Lessee (including its drillers and other contractors) and Remedial Work on or associated with the Leased Premises and any adjacent property. Remedial Work shall be performed by one or more contractors selected by Lessee under the supervision of an engineer selected by Lessee. All costs and expenses of Remedial Work resulting from Lessee's (including its drillers' and other contractors') operations shall be paid by Lessee, including, without limitation, the charges of such contractors and/or the consulting engineer and Lessor's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of Remedial Work. If Lessee shall fail to timely commence or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lessor may (but shall not be required to), after first giving Lessee thirty (30) days notice of its failure and Lessee's continued failure to perform, cause such Remedial Work to be performed and Lessee will reimburse all reasonable costs of same on demand. The provisions of this paragraph shall not constitute approval or obligate Lessor or the Surface Owner to consent to the imposition of any engineering or institutional control that would restrict or limit future use of the Leased Premises for any purpose including, without limitation, any deed restriction or limitation on the use of groundwater or use of the property for residential purposes. Lessee will notify Lessor and Surface Owner of any claim or other action by any governmental agency or any third party involving the actual or alleged existence of Hazardous Materials on the Leased Premises or any adjoining property and provide Lessor and Surface Owner with copies of (1) any notice of any actual or threatened release of Hazardous Materials given by Lessee pursuant to any law and (2) any report of and response to any such release including all Remedial Work. Lessee, its successors and assigns, in accordance with the provisions of paragraph 9, will release, indemnify, pay and protect, defend and save the Indemnified Parties harmless from all claims, liabilities, fees and expenses of any kind (including reasonable attorneys' fees, expert fees and costs) that arise from the actual or alleged presence or release of any Hazardous Materials in connection with the operations of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees on the Leased Premises or any adjacent property. Such indemnification shall include, without limitation, costs in connection with any Remedial Work performed by Lessor, Surface Owner, or any third party in response to any federal, state or governmental authority, laws or regulations, due and payable upon demand by the Lessor or Surface Owner. The Lessee's obligations in this Paragraph 10 shall survive the termination of this Lease.

11. INSURANCE. Lessee, at its own expense, shall maintain a general liability insurance policy in an amount of at least \$2,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. All insurance requirements may be met by a combination of self-insurance, primary and excess policies.

12. FORCE MAJEURE. Should Lessee be prevented from complying with any express or implied covenant of this Lease, from conducting drilling or reworking operations thereon, from producing oil or gas therefrom, by reason of fire, storm, flood, war, riot, strike or by act of God, or by inability or delay in obtaining any necessary permits (including City permits), then while so prevented, Lessee's obligation to comply with such covenant shall be suspended for a period not to exceed two (2) years, and Lessee shall not be liable in damages for failure to comply therewith, and this Lease shall be extended for a period not to exceed two (2) years while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on, or producing oil and gas from, the Leased Premises or lands pooled therewith; and the time while Lessee is so prevented shall not be counted against Lessee. In order for Lessee to claim the benefit of this paragraph, Lessee must advise Lessor in writing within sixty (60) days of the date Lessee claims any obligation is suspended, setting forth in reasonable detail such facts as Lessee relies upon to make the provisions of this paragraph applicable.

13. NOTICES.

(a) To Lessee. All notices to Lessee from Lessor shall be sent to the following address:

P.O. Box 18496
Oklahoma City, OK 73154-0496
Attention: Henry J. Hood, VP Land and Legal

Lessor shall be notified in writing of any change of address, or of the party to receive notice on behalf of Lessee.

(b) To Lessor. Lessor shall be notified at the address shown below. Lessor shall notify Lessee of any change of the address set forth below.

1000 West Airport Freeway
Euless, Tarrant County, Texas 76039
Attention: Gary Phillips, Minister of Administration

14. NO WARRANTY. Notwithstanding anything herein to the contrary, this Lease is made by Lessor without any warranties or representations of title, ownership or control of the Leased Premises, either express or implied, and without recourse against Lessor. However, if Lessor owns less than the full mineral estate in all or any part of the Leased Premises, the royalty payments herein provided for may be reduced proportionately to the interest of Lessor. In the event Lessor acquires any additional interest in the Leased Premises subsequent to the date hereof, such interest shall *ipso facto* be covered by or included in this Lease.

15. DEFAULT. No obligation reasonably to develop the leased premises shall arise during the primary term. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator.

16. LESSEE'S REMOVAL. Lessee shall have the right at any time during or after the expiration of the lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any church facility, residence or other structure now on said land without Lessor's consent.

17. WAIVER. No waiver of any of the provisions of this Lease shall be deemed or constitute a waiver of any other provision of this Lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of this Lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

18. LAW AND VENUE. The rights and duties of the parties under this Lease shall be governed by the laws of the State of Texas. Venue for any action to enforce Lessee's obligations hereunder shall lie in Tarrant County, Texas.

19. HEADINGS. The paragraph headings in this Lease are for convenience only, and shall not be considered in interpretation or construction of any provision of this Lease.

20. SUCCESSORS AND ASSIGNS. All terms, provisions and obligations of this Lease shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, legal representatives, administrators, permitted successors and assigns.

21. ATTORNEYS' FEES. If Lessor or Lessee files a legal action to enforce any express or implied obligation of this Lease and receives a final unappealable judgment from a court of competent jurisdiction, then the prevailing party shall be reimbursed for all costs of such legal proceedings, including reasonable attorneys' fees, expert witness fees and costs.

22. COMPLIANCE WITH LAW. Lessee covenants that it will strictly comply with all applicable laws, regulations and ordinances in conducting all operations under this Lease.

23. ENCUMBRANCES. This Lease is subject to all licenses, permits, easements, rights of way, surface leases, restrictive covenants, and other contracts of Lessor, or its predecessors in interest, affecting the Leased Premises.

24. COUNTERPARTS. This Lease may be executed in multiple counterparts, all of which shall be deemed to constitute one instrument.

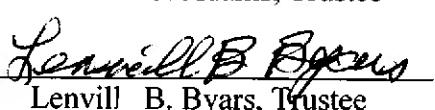
25. MEMORANDUM. The parties to this lease agree that neither shall file this lease of record, but that a memorandum of lease shall be recorded in the Deed Records filed of record in the office of the County Clerk of Tarrant County, Texas, evidencing this lease agreement, and the provisions contained in such memorandum shall be limited to the parties hereto, the lands described, the term and notice provisions, and informing the public of the existence of this Oil and Gas Lease between the parties.

IN WITNESS WHEREOF, this instrument is executed to be effective as of the date stated herein.

LESSOR:

FIRST BAPTIST CHURCH EULESS

BY: 
William G. Adams, Trustee

BY: 
Lenvill B. Byars, Trustee

LESSEE:

CHESAPEAKE EXPLORATION, LLC
an Oklahoma limited liability company

BY: 
Henry J. Hood, Senior Vice President - Land and
Legal & General Counsel

ACKNOWLEDGEMENT

THE STATE OF TEXAS §
 §
 §
 COUNTY OF TARRANT §

Before me, Gayla Seymour, the undersigned notary public, on this day personally appeared William G. Adams and Lenville B. Byars, Trustees for First Baptist Church Euless, each of them known to me to be the persons whose name are subscribed to the foregoing instrument, and acknowledged to me that each of them executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 10th day of November, 2010.

Gayla Seymour
 Notary Public, State of Texas

My Commission Expires: July 26, 2012
 Commission Number: 10003625

ACKNOWLEDGEMENT

STATE OF OKLAHOMA §
 §
 COUNTY OF Oklahoma §

Record & Return To:
Chesapeake Operating, Inc.
 F.O. Box 18496
 Oklahoma City, OK 73134

Before me, Kiley Davis, the undersigned notary public, on this day personally appeared Henry J. Hood, as Senior Vice President - Land and Legal & General Counsel of Chesapeake Exploration, LLC, an Oklahoma limited liability company, on behalf of said limited liability company, who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 21st day of January, 2010.

Kiley Davis
 Notary Public, State of Oklahoma

My Commission Expires: 5/5/14
 Commission Number: 10003625

